2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

INTRODUCTION

642
178

IN the autumn of 1918 the Empire of the Habsburgs collapsed; and when the Czechs, the Poles, the Southern Slavs, and the Hungarians had broken away and formed independent States, the German Provinces of the old Reich, containing some seven million out of the fifty million of the Habsburg peoples, were left alone to face an uncertain future.

The Christian Socialists of the Provinces[1] and the Social Democrats of Vienna and the industrial districts, differing in almost every other respect, were united at that time in their desire to join the German Reich, and in their intention of instituting some form of democratic government.

Frustrated by the Allies in their first objective they proceeded, with the blessing of the civilized world, to draw up with meticulous care a pronouncedly democratic constitution, which should ensure for all time government of the people, for the people, by the people. From the Cardinal Archbishop to the editor of the *Arbeiter Zeitung* there was scarcely a dissentient voice. All were agreed that from henceforward the people themselves must be the arbiters of their own fate.

The friends and enemies of Austria were equally unanimous in their approval of parliamentary democracy as a form of government. The Czechs, the Yugoslavs, and the Hungarians, in so far as they had time for consideration of Austrian affairs at all, were profoundly thankful to see the disappearance of the last remains of the old authoritarian structure of the State, for, with this destroyed, the dreaded return of the Habsburg must remain a remote contingency.

The Allies, and especially President Wilson, viewed with gratified approval the ideological change of heart evinced by their late foes. The war had been fought and won in the name of democracy, and it was consoling to see that even the ex-enemy States had come to appreciate the ideals for which so many millions of lives had been sacrificed.

[1] Throughout this study the term 'Land' will be translated as 'Province'. In fact, however, the Austrian *Ländern* were rather more important units than the term 'province' would indicate.

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2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

642 178 Finally, the Germans of the Reich, the closest friends, if not blood-brothers, of the Austrians, were themselves no less determined that they too would henceforward live under a democratic form of government.

Yet in spite of this apparently auspicious beginning, Austrian politics since 1927, and perhaps even before this, moved steadily in an anti-democratic direction. By 1929 the tide had finally turned, and at last, in February 1934, democracy in Austria was overthrown.

It is not easy to assign its just significance to each of the contributory causes of this *volte-face*, for they were many and various. The following study can only be regarded as a preliminary attempt to consider some of the most important. It can make no pretence to being an exhaustive treatment of what is a very large and complex question.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

IX

Social Change

BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

During the period of transition a new social order was built up in Austria which was one of the most advanced and enlightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works Councils and factory inspectors. During the same period Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

May 29th, 1933. Imposition of the 1000 mark limit for German tourists in Austria.

September 7th to 12th, 1933. Ninth "Catholic Day" in Vienna. Programmatic speech of Dollfuss.

February 5th, 1934. The League of Nations to be asked to intervene in the struggle with Germany.

February 9th, 1934. The parliamentary deputy Kunschak appeals in the Vienna City Council for reconciliation between "Black" (Catholics) and "Red" (Socialists).

February 12th to 15th, 1934. House searches in buildings of the Social-Democratic Party in Linz meet with armed resistance. General strike, violent conflict in Vienna and the countryside. The Vienna City Hall occupied by troops. Dissolution of the Social-Democratic Party. Arrests of leading Social-Democrats.

April 30th, 1934. Parliamentary Session of March 4th, 1933 closed. Enabling Bill passed to authorize the Government to conduct the affairs of state.

May 1st, 1934. Publication of the new Constitution of the Corporate State.

May 20th, 1934. First Nazi bomb outrage.

July 25th, 1934. Murder of Chancellor Dollfuss by illegal S.S.

July 25th to 30th, 1934. Nazi revolt in Carinthia and Styria suppressed.

July 30th, 1934. Schuschnigg becomes Chancellor.

September 27th, 1934. Joint Declaration by England, France and Italy, guarantees the independence of Austria.

January 7th, 1935. Laval in Rome. Consultative pact between Italy and France for defence of Austrian independence.

May 1st, 1935. The "Vaterländische Front" given monopoly rights to hold political meetings.

If there were any need to emphasize or to prove the indestructibility of the conception of Austria, events subsequent to 1918 might be called as witnesses before the bar of history. With quiet determination, the Austrians pulled themselves together and prepared to tread the stony path towards the formation of a new state. Now the call came to the simple citizens, the peasants, the city workers. The privileges of a class who for the last ten years had meant no more to the various peoples of Austria than a loose bond forged by tradition and official position were swept away in the general collapse of 1918. The blackballing of socially ineligible candidates for membership of exclusive clubs and the privilege of having green shutters to the house windows—documented evidence of membership of a privileged class—together with the old uniforms and the titles of nobility became just a part of historic memories.

The Austrian people know by instinct how to determine what is part of a precious heritage from the past and what is merely outworn convention. This instinct has constantly enabled them to adjust themselves to new modes of life during the ups and downs of the centuries. The Austrian has the gift of human comprehension, a readiness to respect opinions diametrically opposed to his own. Averse from the use of force and revolted by unnecessary violence, he cherishes freedom and hates tyranny. The Austrian has no respect for an empty skull, even if it is covered by a top hat or [illegible] hat of a general. But he is capable of deep reverence for every person and every thing really worthy of it.

Austria's path which led from the First to the Second Republic was a painful and difficult one. She was no more free from errors and mistakes in home policy than from reverses

AUSTRIA'S ECONOMIC DEVELOPMENT

Pass and the Semmering Pass allow goods from central and northern Europe to cross the Alpine barrier and to travel south to the Mediterranean countries. Further, a number of other important lines of communication fan out from Vienna, enabling Austria to provide important transit services to other countries.

The natural beauty of the Austrian countryside is well known, and the rapid growth of tourist traffic in the inter-war period shows that Austria, like Switzerland, is a natural "recreation centre" not only for her own citizens but for a large number of people from all parts of the world.

AUSTRIA'S DEVELOPMENT BEFORE THE LAST WAR

The feudal character of the Habsburg Monarchy was no fertile soil for the development of an industrial bourgoisie. The industrialization of Austria-Hungary started rather late and proceeded slowly as compared with that of Germany and western Europe. When, however, railways began to be built after 1830, manufacturing establishments sprang up in growing numbers, both to provide for the needs of the railway companies and to make use of the new transport facilities. This process of industrialization gathered momentum after the middle of last century, when the foundations were laid for a great variety of industries. The great depression of 1873 resulted in a serious setback, but progress was soon resumed, though at a somewhat slower rate.

A few figures will help to illustrate the rate of growth in that period.* Between 1841 and 1871 the production of pig-iron increased from 200,000 tons to 770,000 tons. In 1871 Austria* possessed 1½ million cotton spindles and 580,000 wool spindles. Between 1870 and 1913 the production of coal increased from 3·4 million tons to 16·5

* [CA CAT. 116, p. 12 — ANALYST]
* [CA CAT 116, p. 12 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

million tons, of lignite from 3·1 to 27·4 million tons, of pig-iron from 0·25 to 1·8 million tons. The railway network increased in the same period from 6,000 km. to 23,000 km. and considerable strides were also made in agriculture and in foreign trade, though the latter played only a comparatively small part in the economic life of the Empire.

The trend towards industrialization is also shown by the percentages of persons engaged in Industry and Commerce at various dates (figures for Austria-Hungary).[8]

	1869	1890	1900	1910
Industry	19·7	21·3	22·2	24·2
Commerce and Transport	5·2	6·2	7·3	8·8
Agriculture	67·1	62·4	58·1	56·8
Services, Professions and others	8·0	10·1	12·2	9·9

These figures suggest that, in spite of a constant process of industrialization, the Austrian-Hungarian Monarchy was still a predominantly agricultural country. Moreover, this process was spread very unevenly over the whole area, leaving some regions seriously undeveloped while others attained a highly industrial character. While, for instance, the percentage of persons employed in agriculture in 1910 was 57 for the whole monarchy, it was 69 for Hungary alone but only 40 for Bohemia. In fact, industrialization was largely concentrated in a few areas, viz. the Bohemian-Moravian-Silesian region, rich in coal, the area round the Styrian iron ore deposits, and the Vienna district. Later, another industrial region sprang up in Upper Austria, between Steyr, Enns, and Linz.

Several factors were responsible for this high degree

[1] [CF CAT. 116, P. 12 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

178 of localization of industry in the western part of the Monarchy. First, there were strong economic forces working in this direction. The coalfields of Moravia and Silesia, and the iron ore resources of Styria, had great attractions for the heavy industries. Vienna, on the other hand, where the administrative machinery of the whole Empire was centred and where Court and aristocracy lived on a grand scale, was a focus for a great variety of light industries. The food and clothing industries settled down in this area as well as the luxury goods industries which soon reached a high standard. Vienna's importance as the main market also attracted the new electrical and chemical industries to this area. Further, Vienna became an important centre of trade and finance, not only for the Monarchy but for the whole of south-eastern Europe. There were also a number of other important industries spread over other parts of the country. To this group belong above all the important paper industry which settled down near the forest regions of Austria; the spinning mills which, with their raw material imported from the west, tended towards the Swiss frontier; and the weaving factories which migrated to Bohemia and Moravia, centres of cheap power and cheap labour.

But it was not only economic factors which led to the concentration of industries in the western areas. Military considerations, for instance, were responsible for the erection of armament factories as far away from the dangerous eastern frontier as possible. Finally, the nationalities in the eastern parts of the Empire were, as a result of Habsburg policy, neglected politically, economically, and culturally, and their poverty and backwardness was a constant drag on the development of the Empire as a whole. While the western regions of Austria-Hungary were similar in their structure to that of western Europe,

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

INTRODUCTION

the eastern regions were almost as backward as Tsarist Russia and the Balkan countries.[1]

When the Habsburg Empire fell to pieces, therefore, several countries with very different economic structures emerged. Austria and Czechoslovakia were mainly industrial countries while the others were predominantly agricultural. Weakened by four years of war, each of these new states was faced with a major problem of adjustment to an entirely different political and economic environment. Let us see how Austria set out to meet this problem.

1 [CP. COT. 116 / P. 113 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

Austria's intermediate position between the countries of eastern and western Europe, two sets of comparisons may be given: one showing estimates of the national income of some of the countries in question; the other showing the yearly consumption of some manufactured consumer goods.[5]

ESTIMATES OF NATIONAL INCOME

Country	Year of Estimate	Approx. National Income per Head in U.S. Dollars
Austria	1935	150–160
Czechoslovakia	1937	150–160
Hungary	1937	90–100
Yugoslavia	1937	55–65
France	1936	270–280
United Kingdom	1935	490–500

ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS PER HEAD OF POPULATION

(Year: 1937)

	Cotton Goods (kilos)	Paper (kilos)	Sugar (kilos)	Wireless Sets (No. of Licences per 1,000 Persons)
Austria	5·1	14·8	19·5	92
Czechoslovakia	4·2	13·9	22·4	69
Hungary	2·4	10·0	12·7	43
Yugoslavia	2·0	3·5	5·4	7
Western Europe	8	30	32	120

THE NEW POLITICAL FRAMEWORK

In this second period of recovery Austria thus acquired what had only been half accomplished in the years from 1923 to 1929: a sound and stable economic foundation. But the recovery after 1932 did not simply pick up the threads of 1929. Political conditions had changed considerably, both at home and abroad; and this decisively

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

9: Rothschild EKl Austria EKl

185, 178

[For informed speculation on the political and economic factors likely to affect social planning and probable trends in post World War II, Austria, see category 116, pp. 93-104.]